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2020: New year, new minimum wage

A reminder, the statewide minimum wage increases Jan. 1 to $9.25 an hour, up $1 from the current minimum. It increases again in six months, on July 1, to $10 an hour.

But don't get used to that figure. Illinois's minimum wage will increase by $1 an hour on each of the subsequent five New Year's Days, reaching $15 in 2025.

Workers in some municipalities already are paid above the minimum wage. Employers in Chicago currently are subject to a minimum wage of $13 an hour. In suburban Cook, the minimum is $12 an hour.

Illinois employers are advised to review their pay plans to make sure that they meet minimum wage obligations.

Analysts predict slight sales decline in 2020

The National Automobile Dealers Association forecasted that sales of new vehicles in 2020 will fail to reach 17 million units for the first time since 2014.

"We expect new light-vehicle sales will come in at 16.8 million units for 2020, roughly a 1.2% drop from 2019 sales volume," NADA Senior Economist Patrick Manzi said Dec. 18. "As for 2019, it appears new vehicle sales will best the expectations of most in the industry by topping 17 million units for the fifth straight year, he said."

The forecast is in the line with the University of Michigan's prediction last month of light vehicle sales of 16.7 million units, which was echoed recently by executives from Toyota Motors North America.

"As the boost from deficit spending and tax cuts fades, annual real GDP growth slides to 2.3% in 2019 and to 1.7% in 2020–21. Light vehicle sales slow from 17 million units in 2019 to 16.8 million in 2020 and to 16.7 million in 2021," the economists from the University of Michigan said last month.

Analysts from Fitch Solutions, a subsidiary of Fitch Ratings Services, said this week global vehicle sales will grow marginally but remain below previous highs. The commercial vehicle segment will outperform the passenger vehicle sales.

The NADA noted: "As in 2018, consumers continued to abandon car segments in 2019. Light trucks are on track

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Auto lenders, borrowers to weather headwinds in 2020: TransUnion

Analysts are anticipating U.S. consumers will have another year of positive credit activity in 2020, marking one of the longest periods of sustained consumer credit health in recent decades.

Serious consumer delinquencies — loans 60 days or more past due — are expected to rebound for auto in 2020, falling 3 basis points year over year to 1.44%, according to TransUnion's latest consumer credit forecast. "The U.S. consumer is as strong as ever," said Matt Komos, vice president of research and consulting for TransUnion's financial services business unit. "More consumers are securing loans and increasing their balances in a measured manner, all while maintaining historically low delinquency levels."

Auto lenders are expected to stay consistent in the share of prime and nonprime originations next year, TransUnion noted, adding that nonprime will see a 10-basis point uptick year over year to 34%, while originations in the prime and super prime tiers will remain steady at 66%.

Despite the strong credit performance, TransUnion expects issues surrounding affordability to persist in the coming year due to new-vehicle and gas prices. Meanwhile, the average auto loan balance is anticipated to grow 1.6% by the fourth quarter of 2020 — a decelerated pace from this year.

How dealerships are saving with high-speed doors

High-speed high-performance doors (HSHPDs) are offering dealerships a big return on investment over traditional overhead sectional doors. Installing a HSHPD in high-cycle areas, such as the service entrances and exits and where technicians access their main work areas, will reduce fixed operational costs that are commonly associated with a service department.

HSHPDs will reduce a dealership's energy costs. They are highly insulated, open at a rate of up to 80 inches per second, and close at an average speed of up to 20 inches per second. As a result, they create a more comfortable environment for customers and staff, while simultaneously saving the dealership money on heating and cooling costs.

HSHPDs will increase productivity. A study by Hormann High Performance Doors has shown that one sectional door which opens and closes 100 times a day at a much slower speed can leave one technician waiting idle for more than 70 man hours a year. Most dealerships have three to four of these types of areas, thereby costing them thousands of dollars each year.

Lastly, HSHPDs are far more reliable and require less maintenance than sectional doors. They have no cables or operators (direct drive), and some don't even have springs (such as the Hormann SteelRanger 9000 that can be seen at the CATA office in Oakbrook Terrace). All are typical parts that frequently break on a sectional door, increasing repair costs and can even bring a dealership to a standstill. HSHPDs no longer are considered a luxury by owners who appreciate being relieved of the costs associated with using sectional doors in high cycle areas.

To further explain HSHPDs to member dealers, Hormann and American Door and Dock will host a lunch at the CATA at 12:30 p.m. Jan. 22. To register to attend, or for a free personal consultation and budget proposal on a HSHPD, contact Toby Holtz at American Door and Dock at (847) 815-5916 or at tholtz@americandooranddock.com.

Sales

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to account for more than 70% of overall new-car sales for 2019, while cars will account for less than 30% of new-car sales. By the end of 2020, the NADA projects that three of every four new vehicles sold will be light trucks, a significant increase from a decade ago when the new-vehicle sales mix was 48% light trucks and 52% cars.

"Consumers like the added practicality and ride-height afforded by light-trucks. And crossovers, which account for more than 40% of the total new vehicle market, continue to increase in fuel efficiency each year – offering fuel economy close to their sedan counterparts. In the absence of a significant spike in gasoline prices for a sustained period of time, we expect this shift in preference as permanent," Manzi added.

With consumer preference continuing to favor light trucks over cars, new-vehicle transaction prices have steadily increased throughout the year. According to the NADA Dealership Financial Profile Series from October 2019, the average new vehicle transaction price was $36,744 — up 3.9% compared to October 2018.

In light of increased vehicle transaction prices and affordability concerns, franchised dealers have experienced growth in manufacturer-backed certified preowned sales. Through October 2019, the latest month that Cox Automotive analyzed, CPO sales are up 2.9%.

"The price gap between average monthly loan payments for new and used vehicles is widening and hit $159 in November 2019, according to J.D. Power." Manzi said. "Consumers, even those with stellar credit, are choosing to buy pre-owned vehicles from new-car dealerships, which are uniquely positioned and qualified to sell CPO vehicles."

In 2019, off-lease returns to dealerships are expected to top 4 million units and should remain near that level in 2020 — increasing CPO inventory and sales by franchised dealers.

Incentive spending, on average, hit a new record in November 2019 at $4,520 per unit. This value bests the all-time high set in December 2017 and represents an increase of 11.6% compared to November 2018, according to J.D. Power. Through the first four months of the year, incentives were down year-over-year, but have steadily increased since.

"With year-to-date new vehicle retail sales down by 1% to 2%, manufacturers have responded by offering more cash on the hood to entice buyers," Manzi said. "We expect incentives to remain elevated in December as dealers clear out their lots to make room for new models."

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Amid economic, political concerns, dealers cautious about future

Slightly more U.S. automobile dealers view the current market as negative compared to the number who feel the current market is strong, according to the Q4 2019 Cox Automotive Dealer Sentiment Index.

According to the Q4 2019 Cox Automotive Dealer Sentiment Index (CADSI) released this month, U.S. automobile dealers continue to view the current market as negative, with an index score of 47. The slight decrease from Q3's current market index of 48 was not statistically significant. The index reading of 47 indicates that slightly more dealers feel that the current market is weak compared to the number who feel the current market is strong.

As the CADSI has consistently demonstrated, the current market sentiment skews more positive for franchised auto dealers, operations that sell both new and used vehicles, compared to independent dealers, those who focus only on used-vehicle sales. The gap narrowed this quarter, however, as franchised dealers became less positive — decreasing from 56 in Q3 to 51 in Q4 — while independent dealers remained negative at 46, unchanged from Q3.

"The fourth quarter seems to be revealing an important turning point for dealer sentiment especially compared to this time last year when views of the future dimmed," said Cox Automotive Chief Economist Jonathan Smoke. "Independents are more optimistic about the next 90 days, and that improvement is related to increasing used-vehicle inventory. Franchises have similar positive views of the future as they did at the end 2018. However, dealers remain concerned about the economy as well as the usual seasonal decline that impacts parts of the country more severely than others."

When it comes to views of the future, franchised and independent dealers moved closer together in Q4. Franchised dealers' sentiment scored 54, down from 57 in Q3, while independents' sentiment increased from 49 to 51, an improvement that is likely driven by growing used-vehicle inventory as well as increasing profits. The overall future index score of 51 in Q4 is better than last year and equal to Q3, signaling a better end to 2019, with sustainable opportunities expected in the used-vehicle market, according to Smoke.

For franchised dealers, the current new-vehicle sales index of 56 was down compared to last year, but slightly higher compared to last quarter. The new-vehicle sales index remains above 50, indicating a good market. Franchises also continue to see the used-vehicle sales as stronger than new. The franchised used index this quarter saw a statistically significant decrease to 66 from 73 in Q3, but the score still represents a good market. This decline is reflective a seasonal pattern as well as high incentives and discounting on new vehicles that adversely impacts nearly new- and used-vehicle demand.

For independents, the used-vehicle sales index in Q4 remained slightly negative at 49, the same score as last quarter and slightly above Q4 2018. Factors influencing a pessimistic view of the current market are the perception of market conditions, competition and credit availability for consumers.

Mostly uncontrollable factors are holding back business

When asked about factors holding back the business, dealers in aggregate remained fairly consistent in Q4, although Economy entered the Top 5 and pushed Expenses to the sixth spot. Market Conditions remained in the top spot as the most cited negative factor for both groups. Competition stayed in second place for both as well.

For franchised dealers, the next most cited factor was Economy. Political Climate and Consumer Confidence round out the Top 5 factors holding back business for franchised dealers and also represent the biggest change in the percentage of independents citing a negative factor, both increasing by at least 5 percentage points from the prior quarter. The Top 5 factors holding back franchised dealers no longer are factors that can be influenced or managed by dealers.

Credit Availability for Consumers and Limited Inventory are more of a concern for independent dealers, taking the third and fourth spots behind Market Conditions and Competition and ahead of Economy.

Used-vehicle inventory and inventory mix receive strong scores

Scores regarding dealers' perception of both new- and used-inventory mix were consistent with last quarter. Franchised dealers consider the mix of new-vehicle inventory to be better than last quarter's highest scoring metric, as the Current New-Vehicle Inventory Mix score increased to 73 from 72 in Q3.

Perception of Current Used-Vehicle Inventory Mix slightly increased from last quarter, to 64. This is considerably lower than the Current New-Vehicle Inventory Mix score but consistent across franchised and independent dealers. Overall used-vehicle inventory moved from being perceived as declining, at 47 overall in Q3, to growing at 53 in Q4.

Member-discounted auto show tickets on sale

Tickets and vouchers that admit the holder to the 2020 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form posted at www.CATA.info.

The passes promote goodwill with customers and even can help persuade a prospect to close a deal. Two kinds of passes are available, General Admission tickets and Weekday Discount vouchers. The former, which costs CATA members $700 for 100 tickets, admits the holder to the auto show free, without a box-office wait. The voucher costs members $100 for 100 and admits the holder for $8 during the week.

Regular admission is $13. A minimum 100 passes must be requested with either order.

Area schools eager for auto show 'adoption'

Dealerships can plant a benevolent seed with students by sponsoring a school group's visit to the 2020 Chicago Auto Show. The measure can be a community relations plum and establish customer loyalty with young consumers.

Under the Adopt-A-School Program, a dealer can purchase tickets at $7 each for students in a group. There is no minimum or maximum potential group size. Accompanying chaperones are admitted at no charge

Prepaid food vouchers are available (but must be ordered by Jan. 29). The lunch coupon/vouchers are $8 each.

High schoolers at or near driving age are logical students for a dealership to pair itself with. There are hundreds and hundreds of high schools in the Chicago area, probably more than one within each dealer's relevant market area.

Dealers interested in "adopting" a school should contact the CATA's Roxanne Sammarco for more details, at (630) 424-6060.

CATA closed Dec. 31, Jan. 1

The Chicago Automobile Trade Association will be closed to mark the holidays. Happy 2020!

Time to evaluate dealership website accessibility

By Charlie Gilchrist
2019 NADA Chairman

Dealers are in the business of providing excellent service to our customers. We all are aware that providing great customer service requires a certain degree of tailoring our service to best serve each and every customer, including those with disabilities.

Customers with hearing, sight or physical disabilities rely on assistive technologies — such as screen readers, text enlargement tools, and programs to control computers by voice — to be able to use their computers. For these tools to work and give access to people with disabilities, websites must be coded appropriately on the back end. If a dealership's website is not compatible with assistive technologies, disabled customers may not be able to shop for vehicles, make online parts purchases or learn about what our dealerships have to offer.

For many years, the U.S. Department of Justice has stated that the Americans with Disabilities Act (ADA) applies to public-facing commercial websites, urging businesses to make websites accessible to those with disabilities. Dealers have taken action and adapted their websites as necessary. However, some dealers are facing legal action from plaintiffs who assert that the dealership's website does not provide equal access under the ADA. To avoid expensive litigation, dealerships often have settled their claims with these plaintiffs.

As we're all aware, website accessibility is a complicated undertaking, as a majority of our dealership websites are mandated by OEMs and involve third-party website developers, vendors and content providers. Each third-party entity has a level of control for the content of our websites, which adds a layer of complexity to website accessibility.

With the new year upon us, it is a good time for franchised new-car dealers to evaluate their websites for accessibility and reaffirm our commitment to website accessibility.

The NADA continues to monitor the issue at a macro level, including the degree to which OEMs and third-party website vendors are collaborating to ensure templates and content is accessible to those with disabilities. The NADA has developed a FAQ document to help dealers navigate ADA compliance and accessibility for their own websites.

ADA accessibility companies, such as Accessible, AudioEye and UserWay, can be an additional resource to assist dealerships with accessibility, particularly as websites are updated continuously and must be evaluated on an ongoing basis to ensure compliance.

Let's start the decade by auditing our website's accessibility and ensuring our websites can serve all of our customers. I wish you and your families a very happy holiday season!